

AMENDED IN ASSEMBLY MARCH 21, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1346

Introduced by Assembly Member Pan

February 22, 2013

An act to amend Section 22880 of the Government Code, relating to ~~public employees~~, 22877 of the Government Code, relating to the Rural Health Care Equity Program.

LEGISLATIVE COUNSEL'S DIGEST

AB 1346, as amended, Pan. ~~Public Employees' Medical and Hospital Care Act~~, Rural Health Care Equity Program.

Existing law, until July 3, 2010, or earlier upon a specified finding, established the Rural Health Care Equity Program for the purpose of funding the subsidization and reimbursement of premium costs, deductibles, coinsurance, and other out-of-pocket health care expenses paid by employees of State Bargaining Unit 5 living in rural areas, as defined. Existing law provided for funding and reimbursement provisions for purposes of the program. Existing law provided that the program would be operative only to the extent that funding was provided in the annual Budget Act or another statute and solely for the benefit of employees of State Bargaining Unit 5.

The bill would reestablish the Rural Health Care Equity Program until January 1, 2015, or to an earlier date upon a specified finding, and would extend the benefits to all employees and annuitants living in rural areas. This bill would provide that the program would be operative only to the extent that funding is provided in the annual Budget Act.

~~The Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by the Board of Administration of the Public Employees' Retirement System (PERS), authorizes the board to contract for health benefit plans for employees and annuitants, as defined. Contributions and premiums paid under PEMHCA are deposited in the Public Employees' Health Care Fund and the Public Employees' Contingency Reserve Fund, which are continuously appropriated funds.~~

~~This bill would make nonsubstantive changes to a provision of the Public Employees' Medical and Hospital Care Act.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 *SECTION 1. Section 22877 of the Government Code is*
2 *amended to read:*

3 22877. (a) As used in this section, the following definitions
4 shall apply:

5 (1) "Coinsurance" means the provision of a health benefit plan
6 design that requires the health benefit plan and state employee *or*
7 annuitant to share the cost of hospital or medical expenses at a
8 specified ratio.

9 (2) "Deductible" means the annual amount of out-of-pocket
10 medical expenses that a state employee *or annuitant* must pay
11 before the health benefit plan begins paying for expenses.

12 (3) "Program" means the Rural Health Care Equity Program.

13 (4) "Rural area" means an area in which there is no
14 board-approved health maintenance organization plan available
15 for enrollment by state employees *or annuitants* residing in the
16 area.

17 (b) (1) The Rural Health Care Equity Program is hereby
18 established for the purpose of funding the subsidization and
19 reimbursement of premium costs, deductibles, coinsurance, and
20 other out-of-pocket health care expenses paid by eligible employees
21 *or annuitants* living in rural areas that would otherwise be covered
22 if the state employee *or annuitant* was enrolled in a board-approved
23 health maintenance organization plan. The program shall be
24 administered by the Department of ~~Personnel Administration~~
25 *Human Resources* or by a third-party administrator approved by
26 the Department of ~~Personnel Administration~~ *Human Resources* in

1 a manner consistent with all applicable state and federal laws. The
2 board shall determine the rural area for each subsequent fiscal
3 year, at the same time that premiums for health maintenance
4 organization plans are approved.

5 (2) Separate accounts shall be maintained within the program
6 for all of the following:

7 (A) Employees, as defined in subdivision (c) of Section 3513.

8 (B) Excluded employees, as defined in subdivision (b) of Section
9 3527.

10 (C) *State annuitants.*

11 (c) Moneys in the program shall be allocated to the respective
12 accounts as follows:

13 (1) The contribution provided by the state with respect to each
14 employee, as defined in subdivision (c) of Section 3513, who lives
15 in a rural area and is otherwise eligible, shall be an amount
16 determined through the collective bargaining process.

17 (2) The contribution provided by the state with respect to each
18 excluded employee, as defined in subdivision (b) of Section 3527,
19 who lives in a rural area and is otherwise eligible, shall be an
20 amount equal to, but not to exceed, the amount contributed pursuant
21 to paragraph (1).

22 (3) *The contribution provided by the state with respect to each*
23 *state annuitant who lives in a rural area, is not a Medicare*
24 *participant, resides in California, and is otherwise eligible, shall*
25 *be an amount not to exceed five hundred dollars (\$500).*

26 (4) *The contribution provided by the state with respect to each*
27 *annuitant who lives in a rural area, resides in California,*
28 *participates in a supplemental Medicare health benefit plan, and*
29 *is otherwise eligible, shall be an amount equal to the Medicare*
30 *Part B premiums incurred by the annuitant, not to exceed*
31 *seventy-five dollars (\$75) per month. The program may not*
32 *reimburse for penalty amounts.*

33 ~~(3)~~

34 (5) If an eligible employee enters or leaves service with the state
35 during a fiscal year, contributions for the employee shall be made
36 on a pro rata basis. A similar computation shall be used for anyone
37 entering or leaving the bargaining unit, including a person who
38 enters State Bargaining Unit 5 by promotion during a fiscal year.

39 (d) Each fund of the State Treasury, other than the General
40 Fund, shall reimburse the General Fund for any sums allocated

1 pursuant to subdivision (c) for employees whose compensation is
2 paid from that fund. That reimbursement shall be accomplished
3 using the following methodology:

4 (1) On or before December 1 of each year, the Department of
5 ~~Personnel Administration~~ *Human Resources* shall provide a list
6 of active state employees who participated in the program during
7 the previous fiscal year to each employing department.

8 (2) On or before January 15 of each year, each department that
9 employed an active state employee identified by the Department
10 of ~~Personnel Administration~~ *Human Resources* as a participant in
11 the program shall provide the Department of ~~Personnel~~
12 ~~Administration~~ *Human Resources* with a list of the funds used to
13 pay each employee's salary, along with the proportion of each
14 employee's salary attributable to each fund.

15 (3) Using the information provided by the employing
16 departments, the Department of ~~Personnel Administration~~ *Human*
17 *Resources* shall compile a list of program payments attributable
18 to each fund. On or before February 15 of each year, the
19 Department of ~~Personnel Administration~~ *Human Resources* shall
20 transmit this list to the Department of Finance.

21 (4) The Department of Finance shall certify to the Controller
22 the amount to be transferred from the unencumbered balance of
23 each fund to the General Fund.

24 (5) The Controller shall transfer to the General Fund from the
25 unencumbered balance of each impacted fund the amount specified
26 by the Department of Finance.

27 (6) To ensure the equitable allocation of costs, the Director of
28 the Department of ~~Personnel Administration~~ *Human Resources* or
29 the Director of Finance may require an audit of departmental
30 reports.

31 *(e) For any sums allocated pursuant to subdivision (c) for*
32 *annuitants, funds, other than the General Fund, shall be charged*
33 *a fair share of the contribution provided by the state in accordance*
34 *with the provisions of Article 2 (commencing with Section 11270)*
35 *of Chapter 3 of Part 1 of Division 3. On or before July 31 of each*
36 *year, the Department of Human Resources shall provide the*
37 *Department of Finance with the total costs allocated for annuitants*
38 *in the previous fiscal year. The reported costs may not include*
39 *expenses that have been incurred but not claimed as of July 31.*

(f) Notwithstanding any other law and subject to the availability of funds, moneys within the program shall be disbursed for the benefit of eligible annuitants. The disbursements shall either reimburse the annuitant, if not a Medicare participant, for some or all of the deductible incurred by the annuitant or a family member, not to exceed five hundred dollars (\$500) per fiscal year, or reimburse the annuitant, if a Medicare participant, for Medicare Part B premiums incurred by the annuitant, not to exceed seventy-five dollars (\$75) per month. The program may not reimburse for penalty amounts. These reimbursements shall be provided by the Department of Human Resources. Notwithstanding any other law, any annuitant who cannot be located within a period of three months and whose disbursement is returned to the Controller as unclaimed is ineligible to participate in the program.

(e)

(g) Notwithstanding any other law and subject to the availability of funds, moneys within the program shall be disbursed for the benefit of eligible employees. The disbursements shall subsidize the preferred provider plan premiums for the employee by an amount equal to the difference between the weighted average of board-approved health maintenance organization premiums and the lowest board-approved preferred provider plan premium available under this part, and reimburse the employee for a portion or all of his or her incurred deductible, coinsurance, and other out-of-pocket health-related expenses that would otherwise be covered if the employee and his or her family members were enrolled in a board-approved health maintenance organization plan. These subsidies and reimbursements shall be provided as determined by the Department of ~~Personnel Administration~~ Human Resources, which may include, but is not limited to, a supplemental insurance plan, a medical reimbursement account, or a medical spending account plan.

(f)

(h) Subject to subdivision ~~(h)~~; (j), moneys remaining in an account of the program at the end of any fiscal year shall remain in the account for use in subsequent fiscal years, until the account is terminated. Moneys remaining in a program account upon termination, after payment of all expenses and claims incurred prior to the date of termination, shall be deposited in the General Fund.

1 ~~(g)~~

2 ~~(i)~~ The Legislature finds and declares that the program shall be
3 operated for the exclusive benefit of ~~employees of State Bargaining~~
4 ~~Unit 5: employees, annuitants, and family members.~~

5 ~~(h)~~

6 ~~(j)~~ This section shall be operative only to the extent that funding
7 is provided in the annual Budget Act or another ~~statute and solely~~
8 ~~for the benefit of employees of State Bargaining Unit 5: statute.~~

9 ~~(i)~~

10 ~~(k)~~ This section shall cease to be operative on ~~July 3, 2010,~~
11 ~~January 1, 2015,~~ or on an earlier date if the board makes a formal
12 determination that health maintenance organization plans are no
13 longer the most cost-effective health benefit plans offered by the
14 board.

15 ~~(j)~~ Notwithstanding any other law, on and after July 1, 2009,
16 the benefits of the Rural Health Care Equity Program shall be
17 available only to employees in State Bargaining Unit 5, and shall
18 not be available to any other employees. Pursuant to subdivision
19 ~~(f), any moneys that remain in the accounts of the program on July~~
20 ~~1, 2009, other than moneys attributable to employees in State~~
21 ~~Bargaining Unit 5 on that date, shall be deposited in the General~~
22 ~~Fund. Benefits of the Rural Health Care Equity Program shall~~
23 ~~cease to be available to employees in State Bargaining Unit 5, on~~
24 ~~and after July 3, 2010, and any moneys remaining in the accounts~~
25 ~~of the program shall be deposited in the General Fund.~~

26 ~~SECTION 1. Section 22880 of the Government Code is~~
27 ~~amended to read:~~

28 22880. ~~(a)~~ The contributions of each employee and annuitant
29 shall be withheld from the monthly salary or retirement allowance
30 payable to him or her.

31 ~~(b)~~ The employer contribution required of the state, as provided
32 by Sections 22881 and 22883, for any month shall be charged to
33 the same fund used for payment of salaries and wages from which
34 the employee contribution is deducted.

35 ~~(c)~~ The employer contribution required of the state on account
36 of each annuitant shall be payable from the funds appropriated for
37 that purpose.

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